

OGC 69-0270

12 February 1969

MEMORANDUM FOR: Chairman, Task Force on Investment Retirement Plan

SUBJECT: Conflict of Interest Problems

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1. [redacted] of CA Staff met with me today at his request. [redacted] of the Office of General Counsel was present during the meeting. [redacted] asked to see me because he had heard rumors of an Agency sponsored plan to invest in mutual funds. [redacted]

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[redacted] He said that he had two reasons for wanting to talk to me: first, that the existence of such a plan might pre-empt much of his potential clientele and, second, that he might be able to offer some assistance.

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2. I told [redacted] that I could understand his concern about the potential loss of customers and that I felt sure there were a number of other employees in his position who would share that concern. I agreed that there was no way to predict whether the existence of an Agency sponsored investment retirement plan would hurt or help his own sales. In any event, he did not dispute the Agency's right to offer a plan to its employees, although he did ask whether it was legal and questioned how we would go about choosing the investment manager or fund. On his second point of offering assistance, I made it very clear that this is the sort of thing which we are going to have to be very careful to avoid. I said that we would exercise great care to see that no one on the Task Force or in a position to influence the Task Force had any personal interest in the selection of the particular investment medium or manager, or might even appear to have such an interest. I said that if any person influencing the plan or its investments could benefit therefrom, there would be an obvious conflict of interest that could not be condoned. He accepted this with good grace and certainly understands the problem whether or not he did before he talked to me.

3. After making the above points, I explained the origin of the idea to offer an investment retirement plan, what we have done so far, and the problems we foresee. I also was quite specific in stating that we had not yet decided on an investment medium and that, whereas TVA had used mutual funds and we might well do the same, we intend to investigate other possibilities including, particularly, the independently managed investment portfolio.

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4. I was very open with [] about what we have done and what we are planning to do because the existence of the Task Force and the possibility of an Agency sponsored investment retirement plan is becoming a matter of general knowledge throughout the Agency. For these reasons and because at least one other Agency employee who sells mutual funds has been involved officially with the Task Force, I think it will be necessary for the Task Force to answer employee inquiries fully or risk charges of improper influence on its deliberations and recommendations.

5. I suggest that each member of the Task Force be asked to report any approaches by employees who are engaged in investment sales or management and that all such contacts be made a matter of record in the bi-weekly reports by the Chairman.

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Assistant General Counsel